

**Quality and Productivity Commission
30th Annual Productivity and Quality Awards Program
"Heritage of Excellence"**

2016 APPLICATION

Title of Project (Limited to 50 characters, including spaces, using Arial 12 point font):

NAME OF PROJECT: GOING ONCE, TWICE, SOLD! PROPERTY AUCTION REDESIGN

DATE OF IMPLEMENTATION/ADOPTION: MAY 28, 2014
(Must have been implemented at least one year - on or before July 1, 2015)

PROJECT STATUS: Ongoing One-time only

HAS YOUR DEPARTMENT PREVIOUSLY SUBMITTED THIS PROJECT? Yes No



EXECUTIVE SUMMARY: Describe the project in 15 lines or less using Arial 12 point font. State clearly and concisely what difference the project has made.

1 Pursuant to California Revenue and Taxation Code, the Treasurer and Tax Collector
2 (TTC) is mandated to offer tax defaulted property for sale within four years after the
3 property becomes subject to the Tax Collector's power to sell for nonpayment of taxes,
4 and if unsold, to offer the property at intervals of no more than six years thereafter.
5 Prior to the budget curtailments of 2008 through 2010, the TTC typically conducted
6 three auctions per year: an "A" auction, where first-time properties were publicly
7 auctioned at the Fairplex, a "B" auction, a public auction for properties that didn't sell at
8 the "A" auction, and a "C" auction, which is a sealed bid auction for properties that were
9 rendered unusable by their size or location. In 2010, due to budget curtailments, the
10 TTC cancelled the "B" and "C" auctions and began to hold only one in-person auction
11 per year. In 2014, in an effort to ensure that statutory requirements were met and
12 parcels were returned to a tax-paying status as soon as possible, the TTC redesigned
13 the property auction process to include online property auctions and a digital auction
14 book. This redesign streamlined the auction process, eliminated facility costs, reduced
15 staff prep time for auctions, and provided the auction book free of charge to the public.

BENEFITS TO THE COUNTY

(1) ACTUAL/ESTIMATED ANNUAL COST AVOIDANCE	(2) ACTUAL/ESTIMATED ANNUAL COST SAVINGS	(3) ACTUAL/ESTIMATED ANNUAL REVENUE	(1) + (2) + (3) = TOTAL ANNUAL ACTUAL/ESTIMATED BENEFIT	SERVICE ENHANCEMENT PROJECT
\$ 83,245	\$4,541	\$	\$ 87,786	<input type="checkbox"/>

ANNUAL = 12 MONTHS ONLY

SUBMITTING DEPARTMENT NAME AND COMPLETE ADDRESS Treasurer and Tax Collector 500 W. Temple Street, Suite 437 Los Angeles, CA 90012		TELEPHONE NUMBER 213-974-0703
PROGRAM MANAGER'S NAME Kathy Gloster		TELEPHONE NUMBER 213-974-2077 EMAIL KGloster@ttc.lacounty.gov
PRODUCTIVITY MANAGER'S NAME AND SIGNATURE (PLEASE CALL (213) 893-0322 IF YOU DO NOT KNOW YOUR PRODUCTIVITY MANAGER'S NAME) Tom Ivey 	DATE 7/6/2016	TELEPHONE NUMBER 213-974-7677 EMAIL TIvey@ttc.lacounty.gov
DEPARTMENT HEAD'S NAME AND SIGNATURE Joseph Kelly 	DATE 7/6/2016	TELEPHONE NUMBER 213-974-2101

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1st FACT SHEET – LIMITED TO 3 PAGES ONLY: Describe the **Challenge, Solution, and Benefits** of the project. State clearly and concisely what difference the project has made. Use Arial 12 point font

The Challenge:

The Treasurer and Tax Collector (TTC) has a mandate to offer tax defaulted property for sale. Historically, the TTC conducted three auctions of tax defaulted property each year:

1. The "A" Auction: a public, in-person auction of tax-defaulted property, typically held early in the winter and conducted at the Fairplex in Pomona.
2. The "B" Auction: a public, in-person auction of properties that did not sell at the "A" auction, typically held in the summer and conducted at the Fairplex.
3. The "C" Auction: a Sealed Bid Auction of properties rendered unusable by their size, location, or other conditions. In this auction, we offer the property to owners of contiguous parcels or to a holder of record of an easement.

However, in 2010, due to budget curtailments, the TTC cancelled the "B" and "C" auctions and began to hold only one in-person public auction per year. However, a reduction to one auction per year jeopardizes the TTC's ability to comply with its statutory requirements and delays the return of defaulted properties to the tax roll in a taxpaying status, which in turn, delays the County's receipt of critical tax revenues.

The Solution:

To address these issues, the TTC redesigned the auction process including:

- Placing a digital version of the auction book online.
- Contracting with a vendor to conduct online auctions.
- Conducting the "B" auction as an internet auction.
- Adding an internet auction to re-offer unsold vacant land from the "A" auction.
- Revising the "C" auction process.

Digital Auction Book

Historically, the TTC produced a printed Auction Book for sale to the public that contained information about the properties scheduled for an upcoming auction. We replaced the physical Auction Book with a free, downloadable digital version on the TTC website.

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Online Auction Platform

The TTC negotiated a no-cost contract with an experienced vendor that conducted online auctions for other California counties. Utilization of this online functionality allowed us to expand the bidder pool and extend the auction period.

Online “B” Auction

First conducted May 28, 29, and 30, 2014.

Online “A” Re-offer Auction

First conducted November 17, 18, and 19, 2014. This auction takes advantage of the provision in Revenue and Taxation Code Section 3692(e), which states that, for any property remaining unsold from a particular auction, the Tax Collector may conduct a follow-up auction without the necessity of re-noticing parties of interest, so long as the date, time, and location of the subsequent auction is provided, and it is conducted within 90 days of the previous auction.

Revised “C” Auction Process

We now establish a very low minimum bid (e.g., \$100), to attract interest. Secondly, we canvass the interest of contiguous owners through an “Invitation to Bid.” Only if an owner responds with interest, do we commence with the associated administrative processes (e.g., publications, notices, and title reports.)

The Benefits

Digital Auction Book

Bidders are no longer required to pay for the Auction Book. Expenses and staff time related to printing, binding, stocking, and selling the Auction Book were eliminated by providing a free, downloadable digital version on the TTC website.

Online Auction Platform

The virtual auction eliminated the need to rent space for an in-person auction, saving approximately \$4,541 annually. Also eliminated were several processes formerly conducted by TTC staff during a “B” auction, such as bidder registration and the establishment of an Auction Trust Account. In addition, the winning bidder pays all the associated vendor fees.

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LINKAGE TO THE COUNTY STRATEGIC PLAN (DETAIL IS REQUIRED FOR COUNTY DEPARTMENTS): Use Arial 12 point font

Online "A" Re-offer Auction

This auction is now virtually cost-free. In addition to the benefits associated with the online auction platform, the elimination of re-notification requirements resulted in a savings of approximately \$83,245 in additional title report and mailing costs. Moreover, the TTC saved approximately 1,520 hours of staff time, which allowed us to maintain full staffing for our regular business functions during auction preparation periods. This allowed us to conduct four auctions a year using existing staffing and resources.

Process Improvements for "C" Auction

This approach increases interest and reduces the amount of time staff spend on administrative processes for properties that are not sold.

LINKAGE TO THE COUNTY STRATEGIC PLAN:

TTC's redesign of our defaulted property auctions supports **Strategic Plan Goal #1: Operational Effectiveness/Fiscal Sustainability**. Process improvements and the adoption of online technologies have produced a more streamlined and cost-effective operation. A reduction in the backlog of defaulted properties and the resulting increase in property tax revenues makes an important contribution to the County's fiscal stability.

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COST AVOIDANCE, COST SAVINGS, AND REVENUE GENERATED (ESTIMATED BENEFITS TO THE COUNTY): If you are claiming cost benefits, include a calculation on this page. You must include an explanation of the County cost savings, cost avoidance or new revenue that matches the numbers in the box. Remember to keep your supporting documentation. Use Arial 12 point font

Cost Avoidance: Costs that are eliminated or not incurred as a result of program outcomes.

Cost Savings: A reduction or lessening of expenditures as a result of program outcomes.

Revenue: Increases in existing revenue streams or new revenue sources to the County as a result of program outcomes.

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Cost Avoidance

2015A Online Follow-up Auction

1,520 hours of staff time – staff was reassigned to other critical tasks

2015B Online Auction

460 hours of staff time – staff was reassigned to other critical tasks

\$83,245 in title report and mailing costs

Cost Savings

2015A & 2015B

\$4,541 in facility rental costs

Increased Efficiency

2015A Online Follow-up Auction

- At no additional cost, 186 parcels that did not sell at the in-person auction were sold and returned to a tax paying status.
- 69% of the properties sold for more than the minimum bid.
- 7 parcels sold for more than the total outstanding taxes and fees due.

2015B Online Auction

- 225 parcels (49%) sold, representing a 25% increase from the previous in-person B Auction.